HISTORY OF THE URANIUM LEASES WITH THE ANACONDA COMPANY

On October 18, 1951, the Pueblo of Laguna granted to the Anaconda Company an exclusive Uranium Prospecting Permit for the prospecting of uranium on most of the lands of the Pueblo of Laguna. This permit gave Anaconda the option to lease. The original permit was for a period of three years, but was later extended for nine years ending November 27, 1963. Approximately 30,000 acres in the Paguate Purchase area were included in the extended term of the permit.

Pursuant to the permit, Anaconda leased 4,988.48 acres. The original lease of March 27, 1952 was for 799.09 acres and the remaining acreage was added later. We call these leases the pre-1962 leases. The royalty payable under these leases was a sliding scale of 10% - 20% of "Crude Ore Value." The higher the Crude Ore Value, the higher the royalty rate. Crude Ore Value was set in accordance with AEC Circular 5. Under Circular 5, if the grade of the ore was .20%, the Crude Ore Value was $14.50. Ore of a grade of .30% resulted in a Crude Ore Value of $22.50. Ore of a grade of .40% resulted in a Crude Ore Value of $31.00.

In 1961 - 1962, the Pueblo and Anaconda negotiated an agreement which was signed by the parties on November 27, 1962 and approved by the BIA on July 24, 1963. This agreement provided as follows:

1. The terms of the pre-1962 leases were not changed.

2. Anaconda was allowed to lease more lands which we call the 1963 leases. After approval of the agreement, Anaconda leased 9,061.08 additional acres.

3. The 1963 leases provided for royalties of 15% - 25% of Crude Ore Value, with Crude Ore Value set under Circular 5, unless renegotiated. Also, annual rentals and annual minimum royalties were increased.

4. The meaning of Crude Ore Value could be renegotiated by the parties after December 31, 1966. If the parties could not agree on the meaning of Crude Ore Value, the Secretary of the Interior could establish Crude Ore Value.

5. A system was set up for payment to assignees for the taking of their assignments.

Since 1963, Anaconda has let go of about 6,500 acres from the leases. Anaconda now has 4,988.48 acres from the pre-1962 leases and 2,879.79 acres from the 1963 leases.

In 1970, the Pueblo made demand upon Anaconda to renegotiate the meaning of Crude Ore Value. Anaconda refused to negotiate and the Pueblo asked the Secretary of the Interior to establish the meaning of Crude Ore Value. The Secretary reviewed the matter and strongly recommended that the parties negotiate the matter. Negotiations followed which resulted in the agreement of June 10, 1974. This agreement provides as follows:

1. Anaconda paid Laguna $550,000.00 for settlement of the claim for past royalties from the period 1/1/67 through 12/31/73. Also, the Pueblo received $125,000.00 for each of the calendar years 1974 and 1975. Therefore, the payment due from Anaconda to Laguna was $800,000.00 in added monies up to 1/1/76.

2. All leases, including the royalty rates and the meaning of Crude Ore Value, would remain the same until 1/1/76. Thereafter, royalties would be paid on the new definition of Crude Ore Value contained in the agreement.

3. Royalties from 1/1/76 onward would be 10%-20% on a sliding scale of Crude Ore Value.

4. Crude Ore Value was defined by the formula set forth below.

5. Laguna would receive a bonus royalty of 10% for all yellowcake sold over $8.25 per pound.

6. Laguna would lease a 320 acre tract to Anaconda which was leased in 1963, but which was erroneously let go by Anaconda.

7. All leases were unitized. This means that production on any lease satisfies production on all leases.

8. The definition of Crude Ore Value would be renegotiated only if yellowcake was no longer the finished product milled by Anaconda.

ROYALTY COMPUTATIONS UNDER THE LEASES
BEFORE 1/1/76 AND AFTER 1/1/76

Before 1/1/76, the royalty was based on Crude Ore Value as set forth in AEC Circular 5. For example, if the ore grade was .30%, the Crude Ore Value was $22.50 per ton. Therefore, under the pre-1962 leases, the royalty was $2.95 per ton.

Crude Ore Value ($22.50) times Royalty Rate (12%) = $2.95

Under the 1963 leases, the royalty was $3.825 per ton.

Crude Ore Value ($22.50) times Royalty Rate (17%) = $3.825

After 1/1/76, the royalty is computed as follows:

Assume .30% ore and a Yellowcake price of $9.00.

1. Multiply the number of pounds of Yellowcake recoverable from .30% ore times $4.00 (6 pounds of Yellowcake can be recovered from 1 ton of .30% ore).

   6 x $4.00 = $24.00.

2. Then multiply this amount ($24.00) times a fraction which has the price of Yellowcake ($9.00) as the numerator and $7.00 as the denominator. The result is Crude Ore Value.

   $\$24.00 \times \frac{9.00}{7.00} = \$30.85$

3. Multiply Crude Ore Value times Royalty Rate.

   $30.85 x 13% = $4.01 Royalty per ton of Crude Ore.

4. Add 10% of the amount that Yellowcake price exceeds $8.25 per pound. This is the bonus royalty.

   10% x $0.75 = 7.5 cents.

   7.5 cents x pounds of Yellowcake sold = Bonus Royalty.

5. The total Royalty is the regular royalty under 3 and the bonus royalty under 4.

PROVISIONS IN THE ANACONDA LEASES
WHICH DO NOT RELATE TO
CRUDE ORE VALUE OR ROYALTY

1. Anaconda shall not commit waste on the premises.

2. Anaconda shall take steps for the preservation of the premises and the health and safety of the workmen.

3. Anaconda cannot maintain a nuisance on the premises.

4. No sale of intoxicating liquors on the premises.

5. Anaconda shall make monthly statements showing ores removed, sales and prices received. Old leases by 15th of month. New leases - by 25th of month.

6. There shall be an annual audit or at such times as directed by the Area Director, at the lessees expense.

7. Anaconda must abide by all regulations of the Secretary, except that no regulation can change royalty rate or term of lease.

8. Furnish bond. Old leases - in an amount established by the Secretary. New leases - amount set, but can be increased.

9. Laguna can dispose of surface, except that it cannot interfere with mining operations.

10. Lease can be cancelled for violations, but Anaconda given the right to a hearing.

11. Old leases - Fencing only in areas of active operations, to exclude livestock.

12. Anaconda can construct roads for mining. Old leases - Governor and Superintendent must approve location. New leases - Superintendent must approve location.

13. Anaconda shall employ Laguna labor and place Laguna labor in skilled positions.

14. Anaconda shall hold Laguna and USA harmless from claims arising from negligent operations.

15. Anaconda to comply with Federal and State laws regarding Workmen's Compensation, wages and hours, Social Security, Unemployment Compensation, etc. and pay all taxes lawfully due. New leases - refers to State taxes on production and severance, if lawfully due.

16. New leases only - Anaconda must, upon termination of the lease, make provision for the conservation, repair and protection of property.

17. New leases only - Forest protection provisions.

18. New leases only - Anaconda can drill water wells, but these must be left intact at the end of the lease term.

PROPOSED ACTIONS

A. Mine and Equipment Safety

Appropriate Officials:

Superintendent, SPA, Mr. Kenneth Payton; the Area Mining Supervisor, USGS, Mr. Czarnowsky; and the Mine Safety and Health Administration, MSHA, Mr. Tom Caster; copy to Area Director, BIA, Mr. Sidney Mills; and Office of Trust Responsibilities, BIA, Mr. Martin Seneca.

1. Request of the appropriate officials a thorough inspection of all mining activities of Ananconda and report to Pueblo of Laguna. Pueblo of Laguna officials should be present during on-site investigations.

2. Gather information to document known safety violations and to identify unsafe equipment. Search files and discussions with mine employees.

3. Notify appropriate officials of the specific problems and request investigation in the company of the Safety Committee, a Pueblo official.

B. Labor Matters

Appropriate Officials:

> Uranium Metal Trades Council - AFL-CIO, Mr. Sam Tafoya, President; Ananconda Company; Federal Mediation and Concilliation Service, Mr. Sam Franklin; Superintendent, SPA.

1. Request Mr. Sam Franklin to arrange a training program for grievance procedures and employees rights.

2. Gather information from Anaconda regarding history of promotions of Indians into skilled and supervisory positions.

3. Make demand on Anaconda to comply with Indian preference clause of lease by promoting Indians and Lagunas to skilled and supervisory positions.

4. Contact union and arrange to jointly study Anaconda's past firing and rehiring practices as they relate to pension benefits. Legal analysis of results to determine what violation, if any, of the pension laws occurred.

5. Review Hamilton Construction Company's hiring practices to insure Indian preference.

C. <u>Environmental Matters</u>

Appropriate Officials:

Superintendent, SPA; Area Mining Supervisor, USGS; Environmental Protection Agency (EPA), federal; Environmental Improvement Agency (EIA), State of New Mexico; Area Director, BIA; Office of Trust Responsibility, BIA; MHSA.

1. Contract for expert consultant review of Reclamation Plan submitted by Anaconda. Request funds from OTR through BIA - SPA and Area.

2. Re-establish Reclamation Committee of Pueblo of Laguna to begin "on-site" study of reclamation needs and to work with consultant and to review USGS - Environmental Assessments (EA) which is being prepared.

3. Request EPA to evaluate Anaconda mining activities for compliance with Air and Water Quality laws.

4. Allow EIA to establish water gaging stations and enter into memorandum of understanding.

5. <u>BOND</u>ING - REVISED AND UPDATED.
NO BOND AT ALL ON ANACONDA.

D. Accounting

Appropriate Officials:

Superintendent, SPA; Area Mining Supervisor, USGS and USGS Accounting Office (Carlsbad, N.M.); Ernst & Ernst, Mr. Gary Grange; Peat, Marwick & Mitchell, Mr. Maynard Miller; Anaconda Company.

1. Request Superintendent to conduct annual audit as required by lease terms, 1974 Agreement and federal regulations.

2. Request PMM to submit accounting recommendations pursuant to previous audit. Identify Anaconda accounting procedures that affect royalty.

3. Have Ernst & Ernst include assay and analysis checking procedures in setting up minerals office. Request additional funds to staff this work project.

4. Request annual royalty projections from Anaconda.

5. Advise Anaconda that Pueblo would like to participate in price renegotiations for yellowcake and approve prices.

6. Anaconda agreed to furnish mill assays and final settlement assays to Pueblo with royalty payments. Check to insure this is being done and compare assays with royalty reports.

E. Other Programs

Appropriate Officials:

Anaconda Company, Superintendent, SPA, BIA.

1. Anaconda to set up program for Underground Miners Training Program and Foreman Training Program. Follow up committment.

2. Scholarship Program for Laguna students studying geology, mining and business. Follow up Anaconda committment.

3. Finalize land assignment ~~purchases~~. payment.

4. Finalize emergency procedures with Albuquerque hospitals.

5. Follow up expansion of Ananconda safety program to include classes by Indian Health Service and CHR's on Cardio-Pulmonary Resuscitation (CPR) and to take blood pressure readings for mine employees.

6. Continue existance of Mr. Lynn's "open door policy" to utilize Mr. Ernie Lucero to solve problems.

